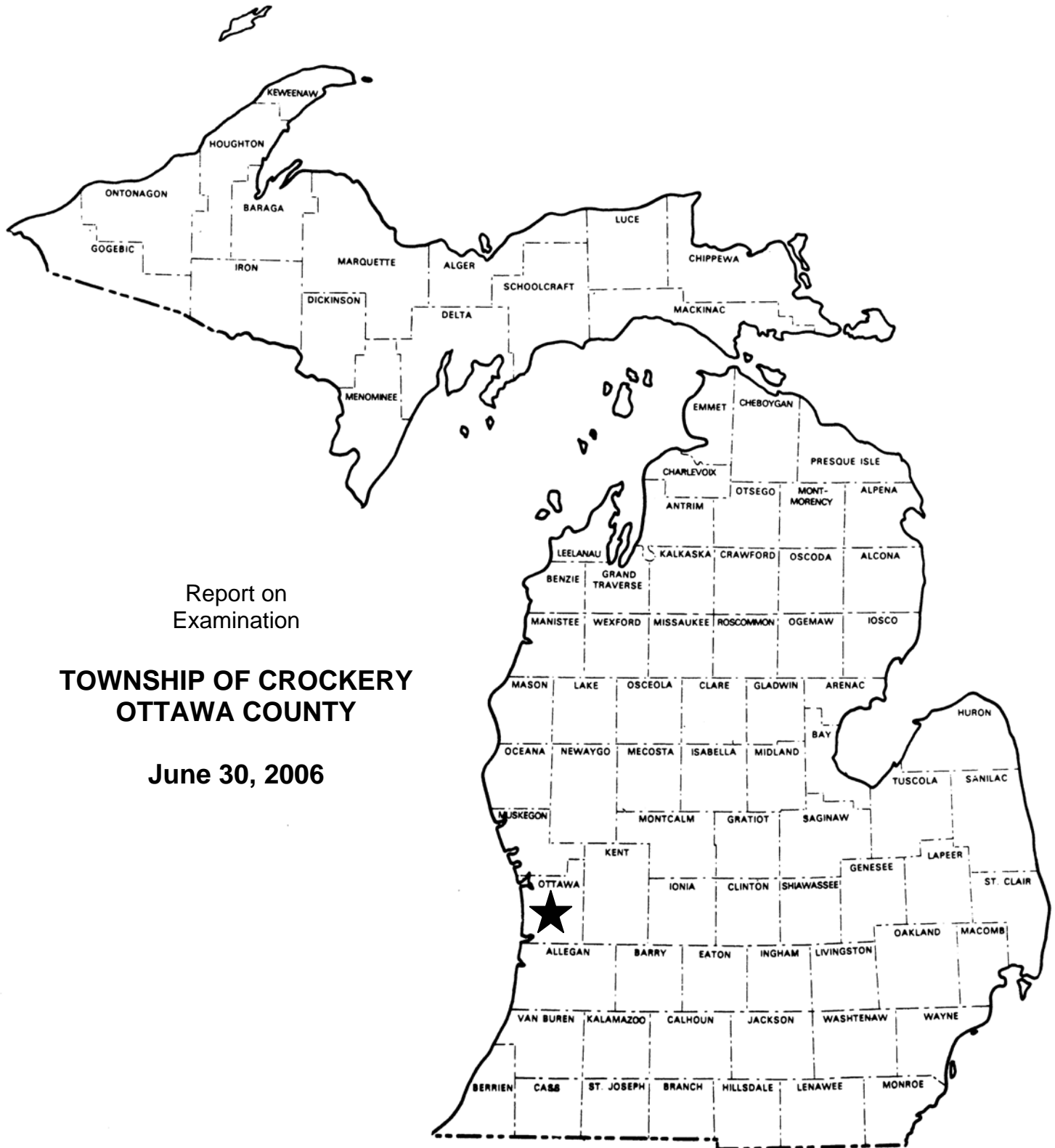


**STATE OF MICHIGAN**  
**JENNIFER M. GRANHOLM, Governor**  
**DEPARTMENT OF TREASURY**



Report on  
Examination

**TOWNSHIP OF CROCKERY**  
**OTTAWA COUNTY**

**June 30, 2006**

CROCKERY TOWNSHIP--OTTAWA COUNTY

TOWNSHIP BOARD

Leon Stille  
Supervisor

Erika Muller  
Clerk

Judy VanBemmelen  
Treasurer

Gordon Constantine  
Trustee

Rich Suchecki  
Trustee

TOWNSHIP POPULATION--2000

3,782

STATE EQUALIZED VALUATION--2006

\$143,360,458



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

August 24, 2006

Crockery Township Board  
17431 112<sup>th</sup> Avenue  
Nunica, Michigan 49448

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Crockery Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, as of June 30, 2006; and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated August 24, 2006, on our consideration of Crockery Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 6 and the Budgetary Comparisons for Major Funds, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crockery Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements; and in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# TOWNSHIP OF CROCKERY--OTTAWA COUNTY

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**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of their finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The Township's net assets for the governmental funds increased \$65,982 from a year ago due to positive action by the board to cut costs. As the board attempts to deliver the best services, it realizes these services may have to be paid for by voted millage to cover the expense. The Headlee Amendment has taken its toll on the amount we can levy for taxes with a drop from the 1.051 allowed in 1994 to the current .9085 in 2006. The transfer of funds for the payment of the fire station and the fire truck debt will continue to drain the General Fund by the amount equal to the shortfall of revenue from the special voted millage approved in 2000, the shortfall will continue to the year 2013. The fire department was successful in securing a FEMA grant to purchase new equipment in the 2005-06 budget years. The business-type activities have increased by \$25,140 due to new water hookups.

In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities <u>2005</u>	Governmental Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 545,410	\$ 594,608	\$ 49,198	9%
Capital Assets	<u>993,574</u>	<u>950,656</u>	<u>(42,918)</u>	<u>-4%</u>
Total Assets	<u>1,538,984</u>	<u>1,545,264</u>	<u>6,280</u>	<u>0%</u>
Current Liabilities	106,563	46,861	(59,702)	-56%
Long-Term Liabilities	<u>588,142</u>	<u>588,142</u>	<u>-</u>	<u>0%</u>
Total Liabilities	<u>694,705</u>	<u>635,003</u>	<u>(59,702)</u>	<u>-9%</u>
Net Assets				
Invested in Capital Assets				
Net of Debt	332,654	362,514	29,860	9%
Restricted	43,474	47,966	4,492	10%
Unrestricted (Deficit)	<u>468,151</u>	<u>499,781</u>	<u>31,630</u>	<u>7%</u>
Total Net Assets	<u>\$ 844,279</u>	<u>\$ 910,261</u>	<u>\$ 65,982</u>	<u>8%</u>

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 352,312	\$ 1,637,736	\$ 1,285,424	365%
Capital Assets	<u>2,066,697</u>	<u>3,649,710</u>	<u>1,583,013</u>	<u>77%</u>
Total Assets	<u>2,419,009</u>	<u>5,287,446</u>	<u>2,868,437</u>	<u>119%</u>
Current and Other Liabilities	118,948	55,098	(63,850)	-54%
Long-Term Liabilities	<u>365,000</u>	<u>2,060,000</u>	<u>1,695,000</u>	<u>464%</u>
Total Liabilities	<u>483,948</u>	<u>2,115,098</u>	<u>1,631,150</u>	<u>337%</u>
Net Assets				
Invested in Capital Assets	1,384,745	2,734,815	1,350,070	97%
Net of Debt			-	
Unrestricted (Deficit)	<u>550,316</u>	<u>437,533</u>	<u>(112,783)</u>	<u>-20%</u>
Total Net Assets	<u>\$ 1,935,061</u>	<u>\$ 3,172,348</u>	<u>\$ 1,237,287</u>	<u>64%</u>

The following table shows the changes of the net assets as of the current year to the prior year:

	Governmental Activities <u>2005</u>	Governmental Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 114,556	\$ 122,039	\$ 7,483	7%
Operating Grants and Contributions	13,574	9,004	(4,570)	-34%
Capital Grants and Contributions		64,809	64,809	100%
General Revenues				
Property Taxes	254,777	264,405	9,628	4%
State-Shared Revenues	261,457	259,890	(1,567)	-1%
Unrestricted Investment Earnings	3,577	14,486	10,909	305%
Loss on Equipment Disposal		(3,842)	(3,842)	-100%
Other Revenue	<u>24,474</u>	<u>10,720</u>	<u>(13,754)</u>	<u>-56%</u>
Total Revenues	<u>672,415</u>	<u>741,511</u>	<u>69,096</u>	<u>10%</u>
Program Expenses				
General Government	286,168	221,837	(64,331)	-22%
Public Safety	274,957	308,347	33,390	12%
Public Works	89,124	35,287	(53,837)	-60%
Community and Economic Development	39,065	60,008	20,943	54%
Recreation and Culture	28,062	27,163	(899)	-3%
Interest on Long-Term Debt	<u>27,359</u>	<u>22,887</u>	<u>(4,472)</u>	<u>-16%</u>
Total Expenses	<u>744,735</u>	<u>675,529</u>	<u>(69,206)</u>	<u>-9%</u>
Change in Net Assets	<u>\$ (72,320)</u>	<u>\$ 65,982</u>	<u>\$ 138,302</u>	<u>-191%</u>

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 152,252	\$ 221,844	\$ 69,592	46%
Capital Grants and Contributions		1,020,000	1,020,000	100%
General Revenues				
Unrestricted Investment Earnings	23,264	66,000	42,736	184%
Other Revenue	<u>27,045</u>	<u>287,017</u>	<u>259,972</u>	<u>961%</u>
Total Revenues	<u>202,561</u>	<u>1,594,861</u>	<u>1,392,300</u>	<u>687%</u>
Program Expenses				
Water and Sewer	180,035	241,965	61,930	34%
Interest Expense		115,609		
Total Expenses	<u>180,035</u>	<u>357,574</u>	<u>177,539</u>	<u>99%</u>
Change in Net Assets	<u>\$ 22,526</u>	<u>\$ 1,237,287</u>	<u>\$ 1,214,761</u>	<u>5393%</u>

With the building of a sewer plant and the expansion of the water system, we hope to see growth in the township's taxable base. The Township recognizes growth is necessary in order to meet its obligations. The building of a new fire station and the purchase of a fire truck, at a cost well beyond the amount of the projected millage, has left the Township's General Fund with a burden over the next 7 years of making up the deficiency of approximately \$20,000 each year. We will continue to struggle with legal expenses. The General Fund revenue was up this year, due mainly to the transfer of funds from accounts not previously recorded in the General Fund. The Fire Operating Fund was over budget due to an increase in the number of hours paid for training and physicals for new hires. The Building Fund revenue has slowed, due to the slump in the housing industry.



**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Activities**

	Governmental Funds 2005	Governmental Funds 2006	Difference	Percent
Revenues				
Taxes and Penalties	\$ 254,777	\$ 264,405	\$ 9,628	4%
Licenses and Permits	59,104	71,681	12,577	21%
Federal Grants		64,809	64,809	100%
State Grants	267,518	266,500	(1,018)	0%
Charges for Services	33,257	32,451	(806)	-2%
Fines and Forfeits	1,055	515	(540)	-51%
Interest and Rentals	22,742	27,935	5,193	23%
Other Revenue	37,454	20,106	(17,348)	-46%
Total Revenues	<u>675,907</u>	<u>748,402</u>	<u>72,495</u>	<u>11%</u>
Program Expenses				
General Government	275,797	209,426	(66,371)	-24%
Public Safety	187,267	212,747	25,480	14%
Public Works	89,124	35,287	(53,837)	-60%
Community and Economic Development	39,065	60,008	20,943	54%
Recreation and Culture	27,272	24,799	(2,473)	-9%
Capital Outlay	63,983	71,300	7,317	11%
Debt Service	107,007	95,665	(11,342)	-11%
Total Expenses	<u>789,515</u>	<u>709,232</u>	<u>(80,283)</u>	<u>-10%</u>
Change in Fund Balance	<u><u>\$ (113,608)</u></u>	<u><u>\$ 39,170</u></u>	<u><u>\$ 152,778</u></u>	<u><u>-134%</u></u>

The Township's total general revenues increased due to new construction and an increase in fees. The expense for the debt incurred in the building of the fire station and the purchase of a fire truck will continue to be less than the millage collected and will result in the General Fund having to subsidize the payment each year. The time has come when residents will need to pay for services not funded by taxes and State Shared Revenue. The Township cannot continue to operate as it has in the past, with excessive expending not funded by voted millage.

**Business-Type Activities**

The Township's business-type activities consist of the Water Fund. We provide water to approximately 30% of Township residents, which is purchased from the North Ottawa Water System (NOWS). The NOWS system is made up of the Cities of Grand Haven and Ferrysburg; the Townships of Spring Lake, Grand Haven, and Robinson; and the Village of Spring Lake. Crockery Township is a customer of Spring Lake Township and is included in their water projections.

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**The Township's Funds**

Our analysis of the Township's major funds is listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, Fire Operating Fund, Fire Station and Truck Fund, Sewer Fund, and the Water Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of approximately \$209,246 in 2006. These services are supported by the operating millage and State shared revenues. The two fire funds are for the operations and equipment/building loan of the fire department, which are supported by two special voted millages recorded in their own respective funds. The voted millage expires in the year 2013. These funds record the receipts from the special millage and the transfer from the General Fund to meet their obligations. The Fire Operating Fund's millage does not meet the operating requirements and the Fire Station and Truck Fund's millage does not meet the annual debt requirement and requires subsidization from the General Fund.

**General Fund Budgetary Highlights**

The Township Board amended the budget to take into account events occurring during the year, which we did not plan on, such as the two special elections. In December of 2004, we purchased the general ledger accounting package, which has given us more updated monthly financial reports to work with each month. The Board has been able to watch expenditures and amend the budget on a timelier basis compared to the 2004-05 budget year.

**Capital Asset and Debt Administration**

At the end of 2006, the Township had \$4,600,366 invested in a broad range of capital assets, including buildings, fire equipment, fire vehicles, and the sewer and water system. To pay for the majority of these capital assets, especially the sewer and water system, fire station, and fire truck, the Township entered into various debt obligations totaling \$2,648,142.

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2006-07 will be a challenge. The taxable value increased 9.5 percent and will only produce \$98,750 in General Fund revenue. Excessive spending in building a new fire station and purchasing a fire truck will hinder future purchases until the debt is paid in 2013. In 2002, a new fire station was built and a new truck purchased for a total cost of \$972,778. This was financed with a loan of \$800,000 for 10 years. The annual loan payment is \$95,665. The amount collected from the voted millage is approximately \$78,074. The General Fund will continue to subsidize payments for the next 7 years.

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Crockery Township will be responsible for the cost of the daily operations of the sewer system, as well as making bond payments starting in the year 2017. The Sewer Fund will operate in a deficit until a customer base is able to cover the cost of operations. Each year the General Fund will have to transfer funds to the Sewer Fund to cover the shortfall. With the opening of the sewer plant, a sewer ordinance and rate resolution was put into effect. Rates will need to be reviewed and adjusted on a yearly basis.

In order to keep the Water Fund healthy, rates and connection fees were adjusted in the 2005-06 fiscal year. In November of 2005, a new water ordinance was put into effect. Currently, water service income does not cover system expense.

State Shared Revenue is 60% of the General Fund revenue and the amount received has been decreasing.

Our legal bills are a constant expense with new developments and the need to have all our codes updated. We kept our legal bills within the budget for the 2005/2006 fiscal year.

This past year, we have issued approximately the same number of building permits as the previous year.

Our Township will continue to grow and the need for good financial support is a must.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office, 17431 112<sup>th</sup> Avenue, Nunica, Michigan 49448.

**CROCKERY TOWNSHIP--OTTAWA COUNTY  
GOVERNMENT-WIDE STATEMENT  
OF NET ASSETS  
June 30, 2006**

**EXHIBIT A**

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Cash Equivalents	\$ 455,765	\$ 126,535	\$ 582,300
Investments		285,137	285,137
Receivables			
Special Assessments		37,939	37,939
Accounts	4,946	43,020	47,966
Prepaid Expenses	4,489		4,489
Internal Balances	40,000	(40,000)	-
Due From Federal	4,722		4,722
Due From State	84,686		84,686
Total Current Assets	594,608	452,631	1,047,239
Noncurrent Assets			
Due From County		65,306	65,306
Due From Private Sources		720,000	720,000
Special Assessment Receivable		359,799	359,799
Capital Assets--Net of Accumulated Depreciation	950,656	3,649,710	4,600,366
Total Noncurrent Assets	950,656	4,794,815	5,745,471
Total Assets	\$ 1,545,264	\$ 5,247,446	\$ 6,792,710
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current Liabilities			
Accounts Payable	\$ 24,473	\$ 14,441	\$ 38,914
Deposits Held in Trust	2,000		2,000
Accrued Liabilities	20,388	657	21,045
Total Current Liabilities	46,861	15,098	61,959
Long-Term Liabilities			
Notes Payable--Due Within One Year	72,779		72,779
Notes Payable--Due in More Than One Year	515,363		515,363
Bonds Payable--Due Within One Year		325,000	325,000
Bonds Payable--Due in More Than One Year		1,735,000	1,735,000
Total Noncurrent Liabilities	588,142	2,060,000	2,648,142
Total Liabilities	635,003	2,075,098	2,710,101
Net Assets			
Investment in Capital Assets--Net of Related Debt	362,514	2,734,815	3,097,329
Restricted for			
Fire Station and Truck	5		5
Fire Federal Grant	1,298		1,298
Liquor Law Enforcement	2,531		2,531
Building Department	44,132		44,132
Unrestricted	499,781	437,533	937,314
Total Net Assets	\$ 910,261	\$ 3,172,348	\$ 4,082,609

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2006**

**EXHIBIT B**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 221,837	\$ 39,339			\$ (182,498)		\$ (182,498)
Public Safety	308,347	72,874	\$3,584	\$ 64,809	(167,080)		(167,080)
Public Works	35,287	4,593	5,420		(25,274)		(25,274)
Community and Economic Development	60,008	5,233			(54,775)		(54,775)
Recreation and Culture	27,163		-		(27,163)		(27,163)
Interest on Long-Term Debt	22,887				(22,887)		(22,887)
Total Governmental Activities	675,529	122,039	9,004	64,809	(479,677)	\$ -	(479,677)
Business-Type Activities							
Sewer Fund	72,452	5,065		1,020,000		952,613	952,613
Water Fund	285,122	216,779				(68,343)	(68,343)
Total Business-Type Activities	357,574	221,844	-	1,020,000	-	884,270	884,270
Total	\$ 1,033,103	\$ 343,883	\$9,004	\$ 1,084,809	\$ (479,677)	\$ 884,270	\$ 404,593
General Revenues							
Property Taxes					\$ 264,405		\$ 264,405
State-Shared Revenues					259,890		259,890
Unrestricted Investment Earnings					14,486	\$ 66,000	80,486
Loss on Equipment Disposal					(3,842)		(3,842)
Other					10,720	287,017	297,737
Total General Revenues--Special Items and Transfers					545,659	353,017	898,676
Change in Net Assets					65,982	1,237,287	1,303,269
Net Assets--Beginning					844,279	2,280,334	3,124,613
Restatement to Net Assets						(345,273)	(345,273)
Restated Net Assets					844,279	1,935,061	2,779,340
Net Assets--Ending					\$ 910,261	\$3,172,348	\$ 4,082,609

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2006**

**EXHIBIT C**

	<b>SPECIAL REVENUE FUNDS</b>				Total Governmental Funds
	General	Fire Operating	Fire Station and Truck	Non-Major	
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$423,362	\$(11,761)	\$ 5	\$44,159	\$ 455,765
Accounts Receivable		4,946			4,946
Due From Federal				4,722	4,722
Due From State	84,686				84,686
Due From Other Funds	40,000	13,692			53,692
Prepaid Expenses	1,316	1,703		1,470	4,489
Total Assets	<u>\$549,364</u>	<u>\$ 8,580</u>	<u>\$ 5</u>	<u>\$50,351</u>	<u>\$ 608,300</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 22,990	\$ 175		\$ 1,308	\$ 24,473
Due to Other Funds	13,692			-	13,692
Accrued Liabilities	10,901	8,405		1,082	20,388
Deposits Held in Trust	2,000				2,000
Deferred Revenue				-	-
Total Liabilities	<u>49,583</u>	<u>8,580</u>	<u>\$ -</u>	<u>2,390</u>	<u>60,553</u>
Fund Equity					
Fund Balances					
Unreserved--Undesignated	499,781	-	5	47,961	547,747
Total Fund Equity	<u>499,781</u>	<u>-</u>	<u>5</u>	<u>47,961</u>	<u>547,747</u>
Total Liabilities and Fund Equity	<u>\$549,364</u>	<u>\$ 8,580</u>	<u>\$ 5</u>	<u>\$50,351</u>	<u>\$ 608,300</u>
Fund Balances--Total Governmental Funds					\$ 547,747
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					950,656
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					(588,142)
Net Assets of Governmental Activities					<u>\$ 910,261</u>

**The Notes to Financial Statements are an integral part of this statement**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2006**

**EXHIBIT D**

	General	Fire Operating	Fire Station and Truck	Non-Major	Total Governmental Funds
<b>Revenues</b>					
Taxes and Penalties	\$ 122,219	\$ 71,033	\$ 71,153		\$ 264,405
Licenses and Permits	3,785			\$ 67,896	71,681
Federal Grants				64,809	64,809
State Grants	265,070			1,430	266,500
Charges for Services	27,505	4,946			32,451
Fines and Forfeits	90			425	515
Interest and Rentals	27,678	17		240	27,935
Other Revenue	10,720	1,712		7,674	20,106
<b>Total Revenues</b>	<b>457,067</b>	<b>77,708</b>	<b>71,153</b>	<b>142,474</b>	<b>748,402</b>
<b>Expenditures</b>					
Current					
General Government	209,426				209,426
Public Safety		158,592		54,155	212,747
Public Works	30,694			4,593	35,287
Community and Economic Development	60,008				60,008
Recreation and Cultural	24,799				24,799
Capital Outlay	3,400	5,906		61,994	71,300
Debt Service					
Principal			72,778		72,778
Interest			22,887		22,887
<b>Total Expenditures</b>	<b>328,327</b>	<b>164,498</b>	<b>95,665</b>	<b>120,742</b>	<b>709,232</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>128,740</b>	<b>(86,790)</b>	<b>(24,512)</b>	<b>21,732</b>	<b>39,170</b>
<b>Other Financing Sources (Uses)</b>					
Interfund Transfers In	15,002	90,209	18,420	3,483	127,114
Interfund Transfers (Out)	(112,112)			(15,002)	(127,114)
<b>Total Other Financing Sources (Uses)</b>	<b>(97,110)</b>	<b>90,209</b>	<b>18,420</b>	<b>(11,519)</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>31,630</b>	<b>3,419</b>	<b>(6,092)</b>	<b>10,213</b>	<b>39,170</b>
<b>Fund Balance--July 1, 2005</b>	<b>468,151</b>	<b>(3,419)</b>	<b>6,097</b>	<b>37,748</b>	<b>508,577</b>
<b>Fund Balance--June 30, 2006</b>	<b>\$ 499,781</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 47,961</b>	<b>\$ 547,747</b>

Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses \$ 39,170

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. (42,917)

Long-term revenues are recorded in the Statement of Activities when the revenue is earned; they are not reported in the funds if collected after 60 days of year end. (3,049)

Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt). 72,778

Change in Net Assets of Governmental Activities \$ 65,982

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2006**

**EXHIBIT E**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Enterprise Funds
<b><u>ASSETS</u></b>	Sewer	Water	
Current Assets			
Cash and Cash Equivalents	\$ (3,158)	\$ 129,693	\$ 126,535
Investments		285,137	285,137
Receivables			
Special Assessments		37,939	37,939
Accounts	2,722	40,298	43,020
Total Current Assets	(436)	493,067	492,631
Noncurrent Assets			
Due From County	65,306		65,306
Due From Private Sources	720,000		720,000
Special Assessments		359,799	359,799
Capital Assets			
Net of Accumulated Depreciation	1,471,490	2,178,220	3,649,710
Total Noncurrent Assets	2,256,796	2,538,019	4,794,815
Total Assets	\$ 2,256,360	\$ 3,031,086	\$ 5,287,446
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable		\$ 14,441	\$ 14,441
Due to Other Funds		40,000	40,000
Accrued Liabilities		657	657
Total Current Liabilities	\$ -	55,098	55,098
Noncurrent Liabilities			
Bonds Payable--Due Within One Year	230,000	95,000	325,000
Bonds Payable--Due in More Than One Year	1,045,000	690,000	1,735,000
Total Noncurrent Liabilities	1,275,000	785,000	2,060,000
Total Liabilities	1,275,000	840,098	2,115,098
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets			
Net of Related Debt	981,796	1,753,019	2,734,815
Unrestricted	(436)	437,969	437,533
Total Net Assets	\$ 981,360	\$ 2,190,988	\$ 3,172,348

**The Notes to Financial Statements are an integral part of this statement.**



**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2006**

**EXHIBIT F**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Enterprise Funds
	Sewer	Water	
Operating Revenues			
Charges for Services	\$ 5,065	\$ 216,779	\$ 221,844
Total Operating Revenues	5,065	216,779	221,844
Operating Expenses			
Salaries and Wages		5,591	5,591
Contractual Services	5,235	50,426	55,661
Materials and Supplies	266	15,890	16,156
Water Purchased		30,546	30,546
Equipment Repair and Maintenance		43,914	43,914
Utilities		6,096	6,096
Casualty and Liability Costs		2,477	2,477
Depreciation		81,524	81,524
Total Operating Expenses	5,501	236,464	241,965
Operating Income (Loss)	(436)	(19,685)	(20,121)
Nonoperating Revenues (Expenses)			
Special Assessments		287,017	287,017
Interest Earned on Investments	28,747	37,253	66,000
Interest Expense	(66,951)	(48,658)	(115,609)
Total Nonoperating Revenues (Expenses)	(38,204)	275,612	237,408
Net Income (Loss) Before Contributions	(38,640)	255,927	217,287
Capital Contributions	1,020,000		1,020,000
Change in Net Assets	981,360	255,927	1,237,287
Total Net Assets--July 1, 2005	-	2,280,334	2,280,334
Restatement to Net Assets		(345,273)	(345,273)
Restated Net Assets--July 1, 2005		1,935,061	1,935,061
Total Net Assets--June 30, 2006	\$ 981,360	\$2,190,988	\$ 3,172,348

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2006**

**EXHIBIT G**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Enterprise Funds
	Sewer	Water	
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 2,343	\$ 215,866	\$ 218,209
Cash Payments to Employees for Services and Benefits		(5,692)	(5,692)
Cash Payments to Suppliers for Goods and Services	(5,501)	(163,097)	(168,598)
Net Cash Provided by Operating Activities	(3,158)	47,077	43,919
Cash Flows From Noncapital Financing Activities			
Due To Other Funds		(12,076)	(12,076)
Special Assessments		168,315	168,315
Net Cash Provided by Noncapital Financing Activities	-	156,239	156,239
Cash Flows From Capital and Related Financing Activities			
Due From County	(65,306)		(65,306)
Private Contributions	300,000		300,000
Proceeds From Issuance of Bonds	1,275,000	420,000	1,695,000
Acquisition of Capital Assets	(1,471,490)	(420,000)	(1,891,490)
Reduction of Debt		(90,000)	(90,000)
Interest Paid on Bonds	(66,951)	(48,658)	(115,609)
Net Cash Provided by Capital and Related Financing Activities	(28,747)	(138,658)	(167,405)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	28,747	17,506	46,253
Sale or (Purchase) of Investments		(204,751)	(204,751)
Net Cash Provided by Investing Activities	28,747	(187,245)	(158,498)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,158)	(122,587)	(125,745)
Cash and Cash Equivalents at Beginning of Year	-	252,280	252,280
Cash and Cash Equivalents at End of Year	\$ (3,158)	\$ 129,693	\$ 126,535
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (436)	\$ (19,685)	\$ (20,121)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense		81,524	81,524
(Increase) Decrease in Accounts Receivable	(2,722)	(913)	(3,635)
(Increase) Decrease in Due To Other Governmental Units		(10,661)	(10,661)
Increase (Decrease) in Accounts Payable		(3,087)	(3,087)
Increase (Decrease) in Accrued Wages Payable		(101)	(101)
Net Cash Provided by Operating Activities	\$ (3,158)	\$ 47,077	\$ 43,919

**The Notes to Financial Statements are an integral part of this statement.**

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2006**

**EXHIBIT H**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	<u>\$ 627</u>
Total Assets	<u><u>\$ 627</u></u>
<b><u>LIABILITIES</u></b>	
Liabilities	
Due to Other Units of Government	<u>\$ 627</u>
Total Liabilities	<u><u>\$ 627</u></u>

**The Notes to the Financial Statements are an integral part of this statement.**

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Crockery Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Crockery Township:

##### Reporting Entity

Crockery Township is located in Ottawa County and provides services to approximately 3,782 residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The township is a general law township, and is governed by a 5-member board elected by the citizens of Crockery Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Operating Fund accounts for the millage revenue and is reserved for the operation of the fire department.

Fire Station and Truck Fund accounts for the millage revenue and is reserved for the purchase of the fire station, the fire truck and the repayment of the related debt.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The township reports the following major proprietary funds:

Water Fund accounts for the water operations of the township.

Sewer Fund accounts for the sewer operations of the township.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and material to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses, not meeting this definition, are reported as nonoperating revenues and expenses.

#### Bank Deposits and Investments

For the purposes of the statement of cash flows, demand deposits and short-term investments with a maturity of three months or less, when acquired, are considered to be cash equivalents. The statement of cash flows includes both restricted and unrestricted cash.

# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

#### Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Land Improvements	15 to 30 years	
Building and Building Improvements	20 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Sewer and Water System		40 years

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and special revenue funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

##### Excess of Expenditures Over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.



# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

During the year, the township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Elections	\$ 9,900	\$ 10,837	\$ (937)
Clerk	21,365	21,547	(182)
Treasurer	27,985	27,986	(1)
Building and Grounds	49,535	49,537	(2)
General Administration	31,815	32,343	(528)
Community and Economic Development			
Planning Commission	16,025	17,320	(1,295)
Transfers (Out)	98,500	112,112	(13,612)
Fire Operating			
Public Safety	146,174	158,592	(12,418)

During the year ended June 30, 2006, a budget was not adopted for the Cemetery Special Revenue Fund.

### Fund Deficits

Crockery Township has an accumulated deficit of \$436 in the unrestricted net assets in the Sewer Fund.

Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

### Budget Adoption

A budget was not adopted for the Cemetery Fund.

# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Crockery Township Board has designated two banks for the deposit of township funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits and investment policy are in accordance with statutory authority.

At year end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 455,765	\$126,535	\$627	\$ 582,927
Investments		285,137		285,137
Total	<u>\$ 455,765</u>	<u>\$411,672</u>	<u>\$627</u>	<u>\$ 868,064</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 582,577
Investments in Money Market and Government Operating Money Market	285,137
Petty Cash and Cash on Hand	350
Total	<u>\$ 868,064</u>

The bank balance of the primary government's deposits is \$609,070, of which \$200,000 is covered by Federal depository insurance.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE C--DEPOSITS AND INVESTMENTS (Continued)

##### Investments Authorized by the Township's Investment Policy

The township's investment policy only authorizes investment in all those that are authorized by law. The township has limited their investments to money markets. The investment policy does not contain any specific provisions intended to limit the exposure to interest rate risk, credit risk, and concentration of credit risk.

##### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the township manages its exposure to interest rate risk is by participating in money markets which hold diverse investments that are authorized by law for direct investment.

As of June 30, 2006, the township had the following investments:

	Reported Amount (Fair Value)
Investments	
Government Operating Money Market	<u>\$ 285,137</u>
Total Primary Government	<u><u>\$ 285,137</u></u>

##### Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Government Operating Money Market has a credit rating of Aaa as assigned by Moody's Investors Service.

The investment policy of the township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

##### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

#### NOTE D--PROPERTY TAXES

Property taxes are levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. The township property taxes were levied and collectible on December 1, 2005. It is the policy of Crockery Township to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2005 taxable valuation of Crockery Township amounted to \$99,441,003, on which ad valorem taxes of .9349 mills were levied for township operating purposes, .7178 mills for fire operations, and .7178 for the fire station and truck resulting in property tax revenue of \$92,967, \$71,379, and \$71,379, respectively, during the fiscal year ended June 30, 2006. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

#### NOTE E--RECEIVABLES

##### Special Assessments Receivable-Governmental Funds

The township collects special assessments in the Water Fund to collect for expenses incurred by the township to create the water system. The special assessments are billed in July and placed on the tax bills if not collected. As of June 30, 2006, the Water Fund has special assessments receivable of \$397,738.

##### Accounts Receivable

The accounts receivable for the township are recorded in the Sewer and Water Fund. The receivable is based on the sewer and water services provided by the township. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer and Water Fund is \$2,722 and \$40,298, respectively.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables between funds are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 40,000	Water	\$40,000
Fire Operating	<u>13,692</u>	General	<u>13,692</u>
Total Primary Government	<u>\$ 53,692</u>		<u>\$53,692</u>

The 2006 operating transfers from Exhibits D can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General	\$ 15,002	\$ 112,112
Fire Operating	90,209	
Fire Station and Truck	18,420	
Non-Major Governmental	<u>3,483</u>	<u>15,002</u>
Total	<u>\$ 127,114</u>	<u>\$ 127,114</u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

Capital asset activity of the township for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 500			\$ 500
Subtotal	500	\$ -	\$ -	500
Capital Assets Being Depreciated				
Land Improvements	60,322			60,322
Building and Building Improvements	662,397			662,397
Equipment	79,046	\$71,300	12,922	137,424
Vehicles	738,806		5,000	733,806
Subtotal	1,540,571	71,300	17,922	1,593,949
Less Accumulated Depreciation for				
Land Improvements	47,561	3,085		50,646
Building and Building Improvements	147,144	18,696		165,840
Equipment	32,777	15,993	9,080	39,690
Vehicles	320,015	72,602	5,000	387,617
Subtotal	547,497	110,376	14,080	643,793
Net Capital Assets Being Depreciated	993,074	(39,076)	3,842	950,156
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 993,574</u>	<u>\$ (39,076)</u>	<u>\$ 3,842</u>	<u>\$ 950,656</u>

The depreciation expense was \$110,376 during the year.

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)Beginning Net Capital Asset Restatement

The water system and its additions were determined to have estimated useful lives of 80 years at their respective times of completion. The current legislative body of the township has revised this estimate to 40 years to more accurately reflect the useful lives of the water system and its additions, which resulted in an increase of \$345,273 in accumulated depreciation, as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Adjustment to Beginning Balance</u>	<u>Restated Beginning Balance</u>
Capital Assets Being Depreciated			
Sewer System			
Water System	\$ 2,840,962		\$ 2,840,962
Subtotal	<u>2,840,962</u>	<u>\$ -</u>	<u>2,840,962</u>
Less Accumulated Depreciation			
Water System	655,945	345,273	1,001,218
Subtotal	<u>655,945</u>	<u>345,273</u>	<u>1,001,218</u>
Net Capital Assets Being Depreciated	<u>2,185,017</u>	<u>(345,273)</u>	<u>1,839,744</u>
Total Capital Assets--Net of Depreciation	<u><u>\$ 2,185,017</u></u>	<u><u>\$ (345,273)</u></u>	<u><u>\$ 1,839,744</u></u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the township for the current year was as follows:

<u>Business-Type Activities</u>	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Sewer System		\$ 1,471,490		\$ 1,471,490
Water System	\$ 2,840,962	420,000		3,260,962
Subtotal	<u>2,840,962</u>	<u>1,891,490</u>	<u>\$ -</u>	<u>4,732,452</u>
Less Accumulated Depreciation				
Water System	<u>1,001,218</u>	<u>81,524</u>		<u>1,082,742</u>
Subtotal	<u>1,001,218</u>	<u>81,524</u>	<u>-</u>	<u>1,082,742</u>
Net Capital Assets Being Depreciated	<u>1,839,744</u>	<u>1,809,966</u>	<u>-</u>	<u>3,649,710</u>
Total Capital Assets--Net of Depreciation	<u>\$ 1,839,744</u>	<u>\$ 1,809,966</u>	<u>\$ -</u>	<u>\$ 3,649,710</u>

The depreciation expense was \$281,524 during the year.

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 12,412
Public Safety	95,600
Recreational and Cultural	<u>2,364</u>
Total Governmental Activities	<u>\$ 110,376</u>
Business-Type Activities	
Water	<u>\$ 81,524</u>
Total Business-Type Activities	<u>\$ 81,524</u>

NOTE H--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.



# CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance 07/01/05</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/06</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>				
Crockery Township Note Payable of \$450,243 for ten years at an interest rate of 3.56% due in semiannual installments for the construction of a new fire station.	\$ 371,604	\$ (40,919)	\$ 330,685	\$ 42,390
Crockery Township Note Payable of \$349,757 for ten years at an interest rate of 3.56% due in semiannual installments for the purchase of a new fire truck.	<u>289,316</u>	<u>(31,859)</u>	<u>257,457</u>	<u>33,003</u>
Total Governmental Activities	<u>\$ 660,920</u>	<u>\$ (72,778)</u>	<u>\$ 588,142</u>	<u>\$ 75,393</u>
<u>Business-Type Activities</u>				
Crockery Township bonds due in annual installments of \$20,000 to \$230,000 for 20 years at an interest rate ranging from 2% to 4.375% for establishing the sewer system.		\$ 1,275,000	\$ 1,275,000	\$ 230,000
Crockery Township refunded bonds due in annual installments of \$55,000 to \$85,000 for ten years at an interest rate ranging from 3.8% to 4.7% for establishing the water system.	\$ 250,000	(80,000)	170,000	85,000
Crockery Township refunded bonds due in annual installments of \$10,000 to \$20,000 for 20 years at an interest rate ranging from 3.8% to 5.25% for establishing the water system.	205,000	(10,000)	195,000	10,000
Crockery Township bonds due in annual installments of \$0 to \$35,000 for 20 years at an interest rate ranging from 3.625% to 4.3% for district number 11 of the water system.	<u>                    </u>	<u>420,000</u>	<u>420,000</u>	<u>                    </u>
Total Business-Type Activities	<u>\$ 455,000</u>	<u>\$ 1,605,000</u>	<u>\$ 2,060,000</u>	<u>\$ 325,000</u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the township's long-term debt obligations outstanding at June 30, 2006, are as follows:

Date of Issue: June 1, 2003

Amount: \$450,243

Purpose: Fire Station

Year	Principal		Interest		Annual Total
	Dec 1	June 1	Dec 1	June 1	
2007	\$ 21,008	\$ 21,382	\$ 5,886	\$ 5,512	\$ 53,788
2008	21,762	22,150	5,132	4,744	53,788
2009	22,544	22,945	4,350	3,949	53,788
2010	23,354	23,769	3,540	3,125	53,788
2011	24,193	24,623	2,702	2,271	53,789
2012-2013	51,023	51,931	2,765	1,856	107,575
	<u>\$ 163,884</u>	<u>\$ 166,800</u>	<u>\$ 24,375</u>	<u>\$ 21,457</u>	<u>\$ 376,516</u>

Date of Issue: June 1, 2003

Amount: \$349,757

Purpose: Fire Truck

Year	Principal		Interest		Annual Total
	Dec 1	June 1	Dec 1	June 1	
2007	\$ 16,356	\$ 16,647	\$ 4,583	\$ 4,291	\$ 41,877
2008	16,943	17,245	3,995	3,694	41,877
2009	17,552	17,864	3,387	3,074	41,877
2010	18,182	18,506	2,756	2,433	41,877
2011	18,835	19,171	2,103	1,768	41,877
2012-2013	39,726	40,430	2,153	1,445	83,754
	<u>\$127,594</u>	<u>\$129,863</u>	<u>\$18,977</u>	<u>\$16,705</u>	<u>\$293,139</u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: October 6, 2004

Amount: \$1,275,000

Purpose: Establish Sewer System

<u>Year</u>	<u>Principal Nov 1</u>	<u>Interest</u>	<u>Annual Total</u>	<u>Due From Private Source</u>
2007	\$ 230,000	\$ 42,291	\$ 272,291	\$300,000
2008		39,991	39,991	
2009	20,000	39,991	59,991	45,000
2010	25,000	39,016	64,016	45,000
2011	30,000	38,191	68,191	45,000
2012-2016	295,000	167,820	462,820	225,000
2017-2021	350,000	101,780	451,780	60,000
2022-2025	<u>325,000</u>	<u>28,703</u>	<u>353,703</u>	
	<u>\$1,275,000</u>	<u>\$497,783</u>	<u>\$1,772,783</u>	<u>\$720,000</u>

In 2004, the township lost a lawsuit to Eastbrook Development and was court ordered to establish a sewer system. The Ottawa County Road Commission completed building the sewer system with \$1,275,000 of bonds issued by the road commission for the township. As part of the lawsuit, Eastbrook is to contribute \$1,020,000 to assist in funding the establishment of the sewer system. As of June 30, 2006, the amount due from the Eastbrook (private sources) was \$720,000 and is displayed in the above schedule. The operational expenses related to the sewer system will be recovered through charges determined by the township.

Date of Issue: November 1, 1998

Amount: \$720,000

Purpose: Establish Water System (Refunded Bonds)

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2007	4.65%	\$ 85,000
2008	4.70%	<u>85,000</u>
		<u>\$170,000</u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

## NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: November 1, 1998

Amount: \$275,000

Purpose: Establish Water System (Refunded Bonds)

<u>Year</u>	<u>Principal Nov 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>Nov 1</u>	
2007	\$ 10,000		\$ 4,987	\$ 14,987
2008	15,000	\$ 4,755	4,755	24,510
2009	15,000	4,403	4,402	23,805
20010	15,000	4,043	4,043	23,086
20011	15,000	3,675	3,675	22,350
2012-2016	85,000	12,338	12,337	109,675
2017-2018	40,000	1,575	1,575	43,150
	<u>\$195,000</u>	<u>\$30,789</u>	<u>\$35,774</u>	<u>\$261,563</u>

Date of Issue: June 23, 2005

Amount: \$420,000

Purpose: Establish Water System District #11

<u>Year</u>	<u>Principal Nov 1</u>	<u>Interest</u>	<u>Annual Total</u>
2007		\$ 16,629	\$ 16,629
2008		16,628	16,628
2009	\$ 15,000	16,357	31,357
2010	15,000	15,803	30,803
2011	15,000	15,270	30,270
2012-2016	100,000	65,913	165,913
2017-2021	120,000	45,374	165,374
2022-2025	155,000	16,990	171,990
	<u>\$420,000</u>	<u>\$208,964</u>	<u>\$ 628,964</u>

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### NOTES TO FINANCIAL STATEMENTS

#### NOTE I--SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The township maintains an enterprise fund that provides water services. Segment information for the year ended June 30, 2006, was as follows:

	<u>Sewer</u>	<u>Water</u>
Operating Revenues	\$ 5,065	\$ 216,779
Operating Income (Loss)	(436)	(19,685)
Net Income (Loss)	(38,204)	275,612
Capital Assets Less		
Accumulated Depreciation	1,471,490	2,178,220
Net Working Capital	(436)	437,969
Long-Term Debt	1,275,000	785,000
Total Assets	2,256,796	2,538,019
Total Equity	981,360	2,190,988

#### NOTE J--RISK MANAGEMENT

Crockery Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The township has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmans' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

#### NOTE K--COMMITMENTS

On August 1, 1984, Crockery Township entered into an agreement with Spring Lake Township for the use of the Spring Lake Water Distribution System and a portion of Spring Lake's capacity rights in the Northwest Ottawa County Water System, and for the right to draw water from the system. According to the agreement, Crockery Township agreed to special assess the residents bordering Spring Lake Township as the residents connected to the water system. Residents are not required to use the township's water system and therefore would not be special assessed. Because of this, Crockery Township has a balance of \$158,934 to be paid back at some point in the future as the residents access the water system and the special assessments become available.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE L--RESTATEMENT OF NET ASSETS

Beginning Net Capital Asset Restatement

The water system and its additions were determined to have estimated useful lives of 80 years at their respective times of completion. The current legislative body of the township has revised this estimate to 40 years to more accurately reflect the useful lives of the water system and its additions.

Beginning Net Assets of the Water Fund		\$2,280,334
Adjustment to Accumulated Depreciation		
Accumlated Depreciation Water Fund--80 Year Estimate	\$ 655,946	
Accumlated Depreciation Water Fund--40 Year Estimate	<u>(1,001,219)</u>	<u>(345,273)</u>
Restated Net Assets at June 30, 2005		<u><u>\$1,935,061</u></u>

**CROCKERY TOWNSHIP--OTTAWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended June 30, 2006**

**EXHIBIT I**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and Penalties	\$ 119,817	\$ 122,217	\$ 122,219	\$ 2
Licenses and Permits	3,700	3,700	3,785	85
State Grants	268,134	261,702	265,070	3,368
Charges for Services	25,400	24,382	27,505	3,123
Fines and Forfeits	100	100	90	(10)
Interest and Rentals	19,000	22,900	27,678	4,778
Other Revenue	-	-	10,720	10,720
Total Revenues	436,151	435,001	457,067	22,066
Expenditures				
Current				
General Government	211,989	211,857	209,426	2,431
Public Works	40,384	32,884	30,694	2,190
Community and Economic Development	45,300	61,510	60,008	1,502
Recreation and Cultural	29,434	29,475	24,799	4,676
Capital Outlay	3,400	3,400	3,400	-
Total Expenditures	330,507	339,126	328,327	10,799
Excess of Revenues Over (Under) Expenditures	105,644	95,875	128,740	32,865
Other Financing Sources (Uses)				
Interfund Transfers In		2,625	15,002	12,377
Interfund Transfers (Out)	(104,000)	(98,500)	(112,112)	(13,612)
Total Other Financing Sources (Uses)	(104,000)	(95,875)	(97,110)	(1,235)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,644	-	31,630	31,630
Fund Balance--July 1, 2005	-	-	468,151	468,151
Fund Balance--June 30, 2006	\$ 1,644	\$ -	\$ 499,781	\$ 499,781

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE OPERATING FUND--MAJOR SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2006**

**EXHIBIT J**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 71,668	\$ 71,668	\$ 71,033	\$ (635)
Charges for Services	400	400	4,946	4,546
Interest	100	100	17	(83)
Other Revenue			1,712	1,712
Total Revenues	<u>72,168</u>	<u>72,168</u>	<u>77,708</u>	<u>5,540</u>
Expenditures				
Public Safety	146,174	146,174	158,592	(12,418)
Capital Outlay	5,994	5,994	5,906	88
Total Expenditures	<u>152,168</u>	<u>152,168</u>	<u>164,498</u>	<u>(12,330)</u>
Excess of Revenues Over (Under) Expenditures	<u>(80,000)</u>	<u>(80,000)</u>	<u>(86,790)</u>	<u>(6,790)</u>
Other Financing Sources (Uses)				
Interfund Transfers In	80,000	76,517	90,209	13,692
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>76,517</u>	<u>90,209</u>	<u>13,692</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(3,483)	3,419	6,902
Fund Balance--July 1, 2005	<u>-</u>	<u>3,483</u>	<u>(3,419)</u>	<u>(6,902)</u>
Fund Balance--June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CROCKERY TOWNSHIP--OTTAWA COUNTY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FIRE STATION AND TRUCK--MAJOR SPECIAL REVENUE FUND  
For the Year Ended June 30, 2006**

**EXHIBIT K**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 71,668	\$ 71,668	\$ 71,153	\$ (515)
Interest and Rentals			-	-
Total Revenues	<u>71,668</u>	<u>71,668</u>	<u>71,153</u>	<u>(515)</u>
Expenditures				
Debt Service				
Principal	72,778	72,778	72,778	-
Interest	22,890	22,890	22,887	3
Total Expenditures	<u>95,668</u>	<u>95,668</u>	<u>95,665</u>	<u>3</u>
Excess of Revenues Over (Under) Expenditures	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,512)</u>	<u>(512)</u>
Other Financing Sources (Uses)				
Interfund Transfers In	<u>24,000</u>	<u>24,000</u>	<u>18,420</u>	<u>(5,580)</u>
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>24,000</u>	<u>18,420</u>	<u>(5,580)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(6,092)	(6,092)
Fund Balance--July 1, 2005	<u>-</u>	<u>-</u>	<u>6,097</u>	<u>6,097</u>
Fund Balance--June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2006**

**EXHIBIT L**

**SPECIAL REVENUE FUNDS**

	Road Assessments	Cemetery	Fire Federal Grant	Liquor Law	Street Lights	Building Department	Total
<b><u>ASSETS</u></b>							
Cash and Cash Equivalents			\$(3,412)	\$ 2,531		\$ 45,040	\$44,159
Due From Federal			4,722				4,722
Prepaid Expenses			1,296			174	1,470
Total Assets	\$ -	\$ -	\$ 2,606	\$ 2,531	\$ -	\$ 45,214	\$50,351
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Accounts Payable			\$ 1,308				\$ 1,308
Accrued Liabilities						\$ 1,082	1,082
Total Liabilities	\$ -	\$ -	1,308	\$ -	\$ -	1,082	2,390
Fund Balances							
Unreserved--Undesignated	-	-	1,298	2,531	-	44,132	47,961
Total Fund Balances	-	-	1,298	2,531	-	44,132	47,961
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 2,606	\$ 2,531	\$ -	\$ 45,214	\$50,351

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2006**

**EXHIBIT M**

<b>SPECIAL REVENUE FUNDS</b>							
	Road Assessments	Cemetery	Fire Federal Grant	Liquor Law	Street Lights	Building Department	Total
Revenues							
Licenses and Permits						\$ 67,896	\$ 67,896
Federal Grants			\$ 64,809				64,809
State Grants				\$1,430			1,430
Fines and Forfeits						425	425
Interest and Rentals	\$ 240						240
Other	3,049				\$ 4,593	32	7,674
Total Revenues	3,289	\$ -	64,809	1,430	4,593	68,353	142,474
Expenditures							
Public Safety			5,000	538		48,617	54,155
Public Works					4,593		4,593
Capital Outlay			61,994				61,994
Total Expenditures	-	-	66,994	538	4,593	48,617	120,742
Excess of Revenue Over (Under) Expenditures	3,289	-	(2,185)	892	-	19,736	21,732
Other Financing Sources (Uses)							
Interfund Transfers In			3,483				3,483
Interfund Transfers (Out)	(3,289)	(11,713)					(15,002)
Total Other Financing Sources (Uses)	(3,289)	(11,713)	3,483	-	-	-	(11,519)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(11,713)	1,298	892	-	19,736	10,213
Fund Balance--July 1, 2005	-	11,713	-	1,639	-	24,396	37,748
Fund Balance--June 30, 2006	\$ -	\$ -	\$ 1,298	\$2,531	\$ -	\$ 44,132	\$ 47,961

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING**  
**SOURCES--BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended June 30, 2006**

**EXHIBIT N**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes and Penalties				
Current Property Taxes	\$ 92,967	\$ 92,967	\$ 92,665	\$ (302)
Delinquent Personal Property Taxes	500	2,900	2,660	(240)
Trailer Park Taxes	650	650	352	(298)
Interest and Penalties on Taxes	700	700	936	236
Property Tax Administration Fees	25,000	25,000	25,606	606
Total Taxes and Penalties	119,817	122,217	122,219	2
Licenses and Permits				
Licenses and Permits	300	300	185	(115)
Cable Franchise Fees	3,400	3,400	3,600	200
Total Licenses and Permits	3,700	3,700	3,785	85
State Grants				
Revenue Sharing	268,134	261,702	259,890	(1,812)
Metro Act	-	-	5,180	5,180
Total State Grants	268,134	261,702	265,070	3,368
Charges for Services				
Grave Openings	6,000	6,000	7,475	1,475
Summer Collection	6,500	6,500	6,618	118
Cemetery Sale of Lots	2,000	2,000	2,750	750
Zoning Changes	2,500	2,500	-	(2,500)
Zoning Books	400	400	510	110
Zoning-Site Plan Land Development	100	100	298	198
Planning Commission	500	500	4,150	3,650
Pop Machine Income	500	500	390	(110)
Brine Income	300	300	-	(300)
Title Search Income	2,500	2,500	2,722	222
Other Charges for Services	4,100	3,082	2,592	(490)
Total Charges for Services	25,400	24,382	27,505	3,123
Fines and Forfeitures				
Ordinance Fines	100	100	90	(10)
Total Fines and Forfeitures	100	100	90	(10)
Interest and Rents				
Interest Earned	5,000	8,900	14,486	5,586
Rental Income	14,000	14,000	13,192	(808)
Total Interest and Rents	19,000	22,900	27,678	4,778
Other Revenues				
Donations From Private Sources			1,020	1,020
Refunds and Reimbursements	-	-	9,700	9,700
Total Other Revenues	-	-	10,720	10,720
Total Revenue	436,151	435,001	457,067	22,066
Other Financing Sources				
Interfund Transfers In		2,625	15,002	12,377
Total Other Financing Sources	-	2,625	15,002	12,377
Total Revenues and Other Financing Sources	\$ 436,151	\$ 437,626	\$ 472,069	\$ 34,443

**CROCKERY TOWNSHIP--OTTAWA COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended June 30, 2006**

**EXHIBIT O**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
General Government				
Township Board	\$ 7,252	\$ 6,287	\$ 5,067	\$ 1,220
Supervisor	13,945	11,480	10,776	704
Elections	1,400	9,900	10,837	(937)
Audit	7,000	5,120	5,120	-
Assessor	18,900	18,900	18,739	161
Attorney	30,000	13,500	13,347	153
Clerk	22,515	21,365	21,547	(182)
Board of Review	690	690	607	83
Treasurer	31,960	27,985	27,986	(1)
Building and Grounds	46,260	49,535	49,537	(2)
Cemetery	7,300	15,280	13,520	1,760
General Administration	24,767	31,815	32,343	(528)
Total General Government	211,989	211,857	209,426	2,431
Public Works				
Drains	2,000	-	-	-
Road Maintenance	25,000	19,500	18,160	1,340
Street Lights	3,750	3,750	2,900	850
Water	9,634	9,634	9,634	-
Total Public Works	40,384	32,884	30,694	2,190
Community Development				
Planning Commission	23,345	16,025	17,320	(1,295)
Zoning Board	20,325	44,575	42,269	2,306
Zoning Board of Appeals	1,630	910	419	491
Total Community Development	45,300	61,510	60,008	1,502
Recreational and Cultural				
Recreational	1,200	1,200	1,000	200
Library	28,234	28,275	23,799	4,476
Total Recreational and Cultural	29,434	29,475	24,799	4,676
Capital Outlay				
Capital Outlay	3,400	3,400	3,400	-
Total Capital Outlay	3,400	3,400	3,400	-
Total Expenditures	330,507	339,126	328,327	10,799
Other Financing Uses				
Interfund Transfers (Out)				
Fire Operating	104,000	98,500	112,112	(13,612)
Total Other Financing Uses	104,000	98,500	112,112	(13,612)
Total Expenditures and Other Financing Uses	\$ 434,507	\$ 437,626	\$ 440,439	\$ (2,813)



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

August 24, 2006

Crockery Township Board  
17431 112<sup>th</sup> Avenue  
Nunica, Michigan 49448

RE: Report on Internal Control over Financial Reporting and Compliance and  
Other Matters Based on an Audit of the Financial Statements Performed in  
Accordance with Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2006, which collectively comprise Crockery Township's basic financial statements and have issued our report thereon dated August 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Crockery Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and to be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and operation that we consider to be material weaknesses.

Compliance--As part of obtaining reasonable assurance about whether Crockery Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we did note other instances of noncompliance described in the accompanying comments and recommendations.

This report is intended solely for the information and use of the management, the township board, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

## CROCKERY TOWNSHIP--OTTAWA COUNTY

### COMMENTS AND RECOMMENDATIONS

#### STATUTORY NONCOMPLIANCE

##### Township Board--Deficits

*Finding 05-11*

*Condition:* Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The township's 2005/2006 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the township. As detailed below, actual 2005/2006 expenditures exceeded the board's approved budget allocations for several general fund activities.

During the fiscal year ended June 30, 2006, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Elections	\$ 9,900	\$ 10,837	\$ (937)
Clerk	21,365	21,547	(182)
Treasurer	27,985	27,986	(1)
Building and Grounds	49,535	49,537	(2)
General Administration	31,815	32,343	(528)
Community and Economic Development			
Planning Commission	16,025	17,320	(1,295)
Transfers (Out)	98,500	112,112	(13,612)
Fire Operating			
Public Safety	146,174	158,592	(12,418)

##### Fund Deficits

Crockery Township has an accumulated deficit of \$436 in the unrestricted net assets in the Sewer Fund.

*Criteria:* The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968. Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.



## CROCKERY TOWNSHIP--OTTAWA COUNTY

### COMMENTS AND RECOMMENDATIONS

#### STATUTORY NONCOMPLIANCE (Continued)

*Direction:* We direct that the township develop budgetary control procedures for the General Fund and the Sewer Fund, which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

#### Township Board--Special Revenue Fund Budget Adoption

*Finding 05-12*

*Condition:* A budget was not adopted for the Cemetery Fund.

*Criteria:* MCL 141.436 states: "...the legislative body of each local unit shall pass a general appropriations act for all funds except trust or agency, intragovernmental service, enterprise, public improvement or building and site, for which the legislative body may pass a special appropriation act.

*Direction:* We direct the township to adopt budgets for all required funds prior to the start of the new fiscal year. The budget should include all items required by law and Public Act 2 of 1968, as amended, the Uniform Budgeting Act.